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DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT CHIEF OF STAFF FOR INTELLIGENCE
WASHINGTON, D.C. 20310

DAMI-FII

30 NOV 1981

SUBJECT: Recommendation for SNIE on the Philippines (S/NOFORN)

National Intelligence Officer for East Asia
Rm 7E62
CIA Headquarters Building
Washington, DC 20505

1. (S/NOFORN) The inclosed paper, prepared by a member of my staff, is forwarded for your information. While coordinating the draft, it became apparent that the situation on the Philippines is very much on the minds of analysts in the Washington area. Independent reviews of the problem are being conducted by several agencies.
2. (S/NOFORN) In view of the growing concern, and noting that it has been almost two years since the last interagency study was completed, it is my recommendation that consideration be given to initiating a SNIE to further assess the situation in the Philippines and the potential threats to US interests.

1 Incl
Philippines: Potential Threat
to US Interests

A handwritten signature in dark ink, appearing to read "Wm E Odom", is located to the right of the distribution list.

WILLIAM E. ODOM
Brigadier General, USA
ACofS for Intelligence

ARMY review completed.

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REVIEW ON 25 Nov 2001

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PHILIPPINES: POTENTIAL THREATS TO US INTERESTS (U)

(S/NOFORN) SUMMARY: A variety of studies produced by the US intelligence community within the past five years predicted continuance of the Marcos regime, a continuing but manageable problem with the Communist and Muslim insurgencies, and a continuing close relationship between the Philippines and the US. The key threat to Philippine stability and thus to US interests was thought to be an ailing economy that might lead to mass dissent and revolt. Since these documents were published in the late 70's and early 1980, there has been a deterioration in the state of the Philippine economy, a significant growth in the Communist insurgency, a change in population demographics resulting in a swell of politically aware and idealistic young people, and the beginnings of a more radicalized Catholic clergy. These changes are occurring slowly, but are inevitably altering political and economic conditions in the Philippines. Growing disenchantment with the Marcos regime, coupled with rising nationalism and protest over the US military presence, warrants increased US concern. These trends, while not yet of such magnitude as to constitute a near term threat, do indicate that US interests and the overall tone of the Philippine/US relationship may suffer erosion. A careful US interagency review should be made now in order to provide policymakers with a current assessment of these threats. END SUMMARY

(S/NOFORN) Key factors affecting the political/economic/military situation in the Philippines today include the continued grip of the aging President Marcos on the helm of leadership, the growth in strength of the Communist

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New Peoples' Army, deterioration of the economy, a change in population demographics, and new strains in the often cited "love/hate" relationship existing between the US and the Philippines. Each of these factors has been reported on extensively both within the US intelligence community and public media. Taken individually, no single factor stands out as an alarm of imminent danger. Considered together, however, they suggest a gradual erosion of stability.

(S/NOFORN) The Marcos Regime: Approaching his mid-60's, President Marcos continues to govern the Philippines unopposed by an effective political opposition. With some notable exceptions in the finance and economic sector, the government continues to be administered by political cronies, family members, and persons of proven personal loyalty to President Marcos. This situation has perpetuated corruption and concentrated economic power in the hands of a favored few. Additionally, even though he surrounds himself with loyal advisors and administrators, Marcos has not yet molded this group to serve harmoniously as a successor government in the event of his death, incapacitation, or retirement. Indeed, one of the key potential threats to stability is the lack of a clearly defined successor government. Rumors of ill-health concerning Marcos continue and, on the basis of age alone, a change in leadership could occur with little or no warning. Supported by a military establishment often accused of being corrupt and abusive, Marcos has successfully retained control of the Philippine government although popular dissent appears to be growing.

(S/NOFORN) The New People's Army (NPA): As the military arm of the Communist Party of the Philippines (CPP), the NPA is now acknowledged as the principal

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internal security threat to the Philippine government. Since its founding as a rural based, Beijing oriented insurgency in 1969, it has continued to grow in strength, expanding its activities throughout the Philippine islands. Significantly, although foreign (PRC) support has ceased, the NPA has not only survived, but has in fact doubled its armed strength since 1979, and now appears to be attracting support even from the moderate opposition to Marcos. NPA units can be found throughout the Philippines, but the majority of their activities occur in northern and central Luzon, Samar, and eastern Mindanao. Identifying with the legitimate grievances of the populace and killing particularly corrupt or abusive local officials are methods used by the NPA to gain popular support. Though armed NPA actions have not been directed against US personnel or military installations, NPA units have conducted operations nearby. Clark Air Base is viewed as a prime source of supplies and funds. Ideological arguments are unlikely to sway the majority of the Filipinos to support the NPA, however, skillful manipulation of the populace's real economic and social issues can be effective. In this regard, NPA efforts to radicalize students is particularly worrisome.

(C/NOFORN) Social Demographics: The changing nature of Philippine demographics is an issue not often addressed, yet it is crucial to an examination of trends and warnings for the future. A 7 Nov 81 issue of the Economist points out that the Philippines did not initially slow its birthrate while infant mortality dropped in the 1960's. As a result, 46% of the 48 million Filipinos are under the age of 15. This is in contrast to the 24-27% in all the larger advanced Pacific countries. The article also

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notes that the Philippines claims an 87% adult literacy rate and points out that "literacy leads to a lower birth rate later but a greater passion in young people's revolts now." It is significant that this swell of politically aware young Filipinos will be of university age at the same time sensitive US base negotiations are to be conducted, and at a time when Marcos could choose to retire from office. Their attitudes toward the US could be a critical factor in setting the tone for negotiations and even government-to-government relations.

(C/NOFORN) The Economy: Perhaps more than any other factor, the economy holds the key to stability in the Philippines. Despite the support of skilled financial and economic technocrats who have succeeded in maintaining a high level of foreign borrowing, Marcos has not been able to score strong economic gains. A growth rate of only slightly over 5% may be achieved in 1981; below the 5.8% goal that the Philippines had set and the lowest growth rate among members of the Association of Southeast Asian Nations (ASEAN). Continued dependence on expensive foreign oil, coupled with an export profile dominated by vulnerable commodities such as coconut and sugar, has caused balance of payment deficits projected at over \$500 million for 1981 alone. Coconut products are the Philippines' leading export, accounting for 13% (\$781.5 million) of total export earning last year, yet coconut oil prices abroad plunged by more than 50% between 1978 and 1981, affecting the lives of many Filipinos.

(S/NOFORN) The Threats to US Interests: Judgments regarding threats to Philippine stability and US interests have heretofore been couched generally in terms of "could happen". It now appears that the above described

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destabilizing factors are combining in such a manner that an assessment of "happening now" may be a more accurate statement regarding the increase in threat indicators. Admittedly, there are still powerful forces in-being to preserve stability and the status quo: the military, the majority of the Catholic clergy, the business community, and the normal ties that bind a society together. Nonetheless, as economic ills worsen, the temptation to blame the Marcos regime--and the US as its principal supporter--will become more attractive to a new generation of young people. The Filipino youth today do not have the shared experience of WWII to tie them to Americans, and neither do they perceive an external threat of sufficient magnitude to warrant a continued US military presence.

(S/NOFORN) Outlook: These factors of social and political unrest are not yet of such proportion as to result in the overthrow of Marcos or to immediately threaten the US military presence in the Philippines. Left unchecked, however, it seems likely that the impact of these forces on the Marcos regime will be sufficient within the next 3-5 years to force concessions by the government to accommodate opposition aspirations--perhaps significant concessions if made in conjunction with efforts to establish a successor government. In that situation, appeals to nationalism, or similar rhetoric, will probably result in calls for further restriction of US operational freedom at American bases, and some restructuring of the US/Philippine relationship--although it is unlikely that a fundamental change would occur from such restructuring. A careful evaluation by the US intelligence and foreign policy community at this time may be warranted to more accurately assess the growing threats to US interests in the

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Philippines and the steps or new directions the US should take to counter these threats.

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